

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00

EB-11 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00

NSC-07 PA-04 RSC-01 AID-20 CIEP-02 SS-20 STR-08

TAR-02 TRSE-00 USIA-15 PRS-01 SP-03 FEA-02 OMB-01

SWF-02 DRC-01 /175 W
----- 014537

R 022240Z MAY 74

FM AMEMBASSY SAN JOSE
TO SECSTATE WASHDC 6933
INFO AMEMBASSY BOGOTA
AMEMBASSY BRASILIA
AMEMBASSY GUATEMALA
AMCONSGEN GUAYQUIL
AMEMBASSY MANAGUA
AMEMBASSY PANAMA
AMEMBASSY QUITO
AMEMBASSY SAN SALVADOR
AMEMBASSY TEGUCIGALPA

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E.O. 11652: N/A

TAGS: ETRD, XK, CS, PFOR

SUBJECT: BANANA EXPORT TAX

REF: (A) TEGUCIGALPA 1809

(B) SAN JOSE 1536

1. DURING CALL ON MINISTER OF FINANCE WKPIZAR, EMBOFF
RAISED THE QUESTION OF THE HONDURAN BANANA EXPORT TAX AND
ITS MFN IMPLICATIONS IN CONTEXT OF POSSIBLE COSTA RICAN ACTIONS
ON IMPLEMENTING THE TAX. ALPIZAR SAID HE UNDERSTOOD OUR CONCERN
BUT DID NOT WISH TO COMMENT UNTIL HE HAD SEEN THE TEXT OF THE
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HONDURAN DECREE. HE ADDED THAT HE HAD JUST TALKED TO THE HONDURAN

FINANCE MINISTER BY TELEPHONE ABOUT THE DECREE.

2. WITH REGARD TO COSTA RICA'S PLANS FOR IMPLEMENTING ALPIZAR DESCRIBED THE SITUATION AS BEING COMPLETELY UNSETTLED AT THIS TIME. HE SAID HE THOUGHT THAT COSTA RICA SHOULD SET A SINGLE TAX AT A SPECIFIC LEVEL RATHER THAN ATTEMPT TO ACHIEVE AN EFFECTIVE TAX RATE (OF 50 CENTS), BY A COMBINATION OF REBATES AND EXCHANGE RATE TAX MANIPULATIONS, AS SUGGESTED BY VICE PRESIDENT ROSSI. REGARDING ROSSI'S PLAN, HE NOTED THAT A REBATE SYSTEM WOULD PENALIZE STANDARD IN RELATION TO UNITED SINCE STANDARD WOULD HAVE TO PASS MUCH OF THE REBATE ON TO ITS CONTRACTORS WHILE UNITED, WHICH PRODUCES PRACTICALLY ALL ITS OWN FRUIT ON COMPANY-OWNED PLANTATIONS, WOULD RETAIN THE ENTIRE REBATE.

3. ALPIZAR ALSO OBSERVED THT IT WAS VERY IMPORTANT FOR UNITED TO SEND ITS DELEGATION FOR RENEGOTIATING ITS CONTRACT WITH GOCR AS SOON AS POSSIBLE. (UNITED'S CONTRACT SERVES AS THE UMBRELLA UNDER WHICH ALL FOREIGN BANANA COMPANIES OPERATE.) HE NOTED THAT HE BELIEVES ALL OF THE FRUIT COMPANIES NOW HAVE COME AROUND TO THE POSITION THAT IS IS BETTER TO NEGOTIATE SOME SORT OF COMPROMISE THAN TO ENTER A LONG PROCESS OF LITIGATION.

4. COMMENT: ALPIZAR GAVE THE IMPRESSION HAAT HE HAD NOT GIVEN CONSIDERATION TO DISCRIMINATION BETWEEN TRADITONAL AND NON-TRANDITIONAL MARKETS PRIOR TO THE HONDURAN ACTION, AND THAT HE WOULD PREFER TO AVOID SUCH COMPLICATIONS. NEVERTHELSS, COSTA RICA SEEMS TO WANT TO WORK AS CLOSELY AS POSSIBLE IN TANDEM WITH HONDURAS ON THE TAX QUESTION.

5. IN VIEW OF THE POSSIBILITY THAT UNITED MAY SOON SEND A CONTRACT NEGOTIATING TEAM TO COSTA RICA AND THAT KIRCHHOFF AND WAITE OF STANDARD MAY ACCEPT PRESIDENT-ELECT ODUBER'S PERSONAL INVITATION TO THE INAUGURATION IN HOPES OF HAVING FURTHER TALKS AT THAT TIME ON THE TAX PROBLEMS, THE DEPARTMENT MAY WISH TO BRIEF BOTH UNITED AND STANDARD ON OUR MFN CONCERN. LANE

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